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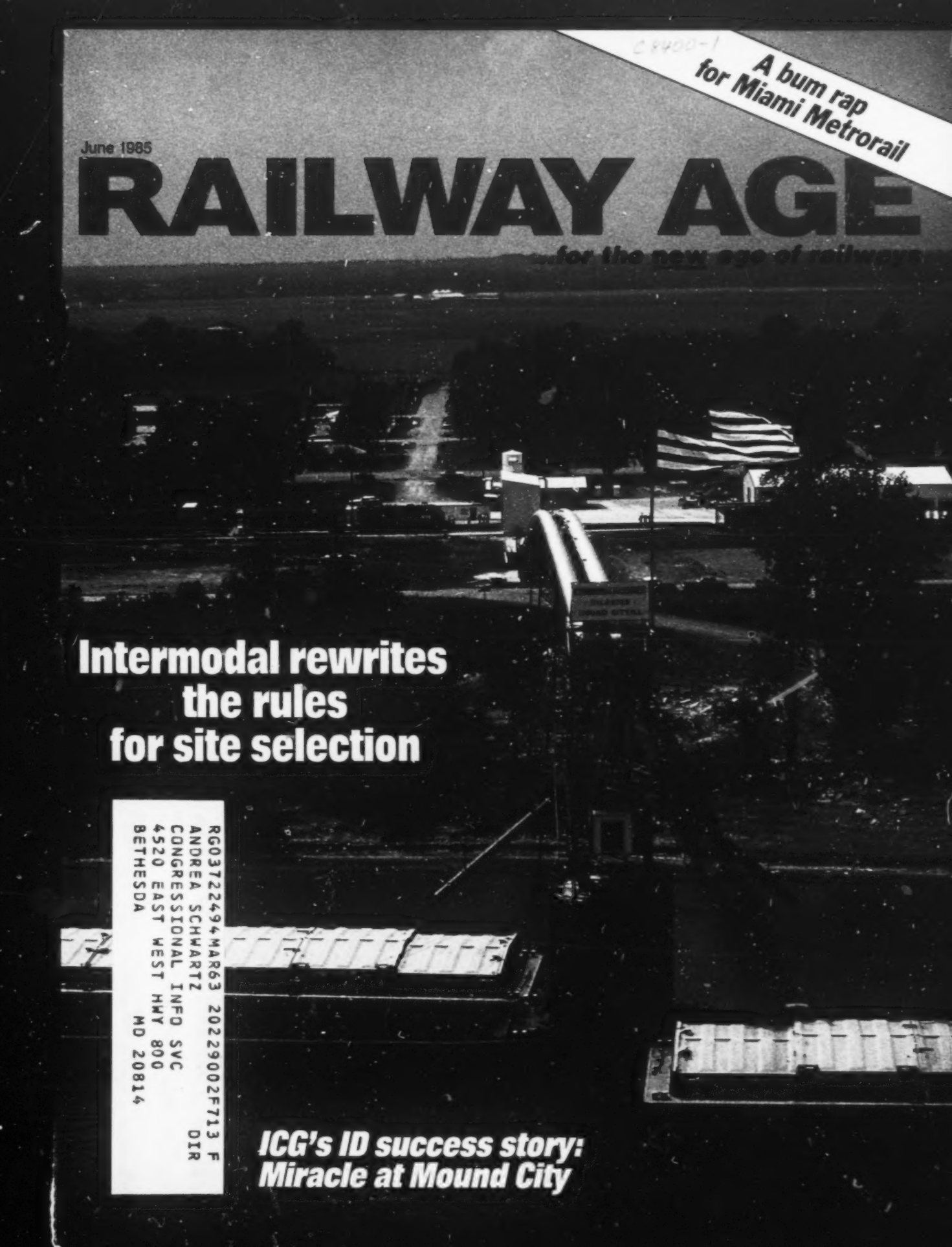
A bum rap for Miami Metrorail

June 1985

RAILWAY AGE

...for the new age of railways



Intermodal rewrites the rules for site selection

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ANDREA SCHWARTZ DIR
CONGRESSIONAL INFO SVC
4520 EAST WEST HWY 800
BETHESDA MD 20814

ICG's ID success story: Miracle at Mound City

RAILWAY AGE
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Market Outlook

Equipment

CP Rail: Is acquiring 150 100-ton ballast cars from National Steel Car at a cost of approximately $9 million (Canadian).

Mali Railway: Will place orders in Canada for 100 freight cars and eight locomotives valued at approximately $20 million (Canadian). CANAC consultants, under a $1.9 million contract, will act as Mali Railway's purchasing agent and quality control inspector and will also provide technical aid in training, equipment maintenance, stores management and general management.

Metro-North Commuter Railroad: Awarded a $2-million contract to Chrome Locomotive Inc. for overhaul and modification of three Budd rail diesel cars with an option for five additional cars at a cost in excess of $3 million.

Peoples Republic of China: The Ministry of Railways has placed an order with the General Electric Co. for an additional 200 diesel-electric locomotives. These will join a fleet of 220 locomotives shipped by GE to China last year under a 1983 contract. Value of the two orders is estimated at more than $450 million.

Richmond, Fredericksburg & Potomac: Awarded a $1.5-million contract to Chrome Locomotive Inc. for the rebuilding of four switching locomotives and the construction of two tractive effort boosters.

Facilities

Maryland Mass Transit Administration: Awarded a four-year construction management contract to a joint venture that includes Daniel, Mann, Johnson & Mendenhall and Raymond Kaiser Engineers Inc. The contract is for systems construction management on the 6-mile Section B of Baltimore's Metro.

UP System: Expects to open a new $7.1-million auto loading facility at the Port of Portland in August. Including a 40-acre area for storage and sorting, the facility will connect with UP's existing yard.

Revenue freight carloadings

Commodity	May 11 week	May 4 week	Apr. 27 week	Apr. 20 week
Grain	16,482	17,826	18,321	19,962
Other farm products	3,405	3,575	3,631	3,857
Metallic ores	17,378	19,491	16,397	15,556
Coal	114,011	111,757	114,667	117,091
Crushed stone, gravel and sand	13,817	13,706	13,526	13,434
Nonmetallic minerals	11,568	12,035	11,421	11,054
Grain mill products	10,036	10,117	9,974	10,475
Food and kindred products	11,038	11,214	11,469	11,491
Primary forest products	11,717	11,991	11,147	11,575
Lumber and wood products except furniture	7,385	7,843	8,365	7,777
Pulp, paper and allied products	13,521	14,229	14,346	13,868
Chemicals and allied products	25,757	25,902	26,611	27,330
Petroleum products	4,490	4,577	4,500	4,641
Stone, clay and glass products	11,542	11,509	11,380	11,538
Coke	4,916	5,432	5,602	5,469
Metals and products	8,719	9,766	9,860	8,791
Motor vehicles and equipment	22,160	22,299	23,518	23,257
Waste and scrap materials	8,622	9,111	9,293	9,322
Forwarder and shipper assn. traffic	6,709	6,666	6,414	6,445
All other carloads	58,633	59,514	58,772	57,393
LCL traffic	159	143	125	125
Total Cars Loaded	**382,065**	**388,765**	**386,359**	**386,471**
% change from previous year	(2.8)	(3.7)	(1.1)	0.8

Estimated revenue ton-miles (billions)	1985	1984	% change
19 weeks	324.8	337.3	(3.7)

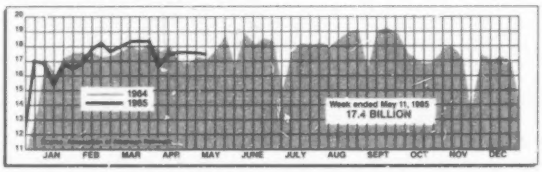
Piggyback loadings

	May 4 week	Apr. 27 week	Apr. 20 week	Apr. 13 week
Trailers/containers	86,048	85,284	85,839	81,707

Cumulative total, 18 weeks		% change from 1984
Trailers/containers	1,511,043	(4.0)

Rail freight traffic trends

Billion ton miles (Estimated)



Source: Association of American Railroads

Freight cars

	DELIVERED April 1985	DELIVERED 4 months 1985	DELIVERED 4 months 1984	ORDERED April 1985	ORDERED 4 months 1985	ORDERED 4 months 1984	ON ORDER AND UNDELIVERED May 1, 1985	Average backlog 1985	Average backlog 1984
Built new by carbuilders	979	3,564	2,372	816	3,422	6,144	4,396	4,559	6,742
Built new in RR shops	0	336	0	0	0	0	70	70	0
Built new—total	979	3,900	2,372	816	3,422	6,144	4,466	4,629	6,742
Rebuilt	0	0	0	0	0	0	0	0	0
TOTAL	979	3,900	2,372	816	3,422	6,144	4,466	4,629	6,742
Locomotives (new and rebuilt)	39	135	115	N/A	N/A	N/A	262	256	127

Source: Transportation Div., AAR and American Railway Car Institute

Lines on Labor

One for all and all for one? No longer, maybe

For railroads and rail unions, national handling of major issues has been a way of life. Wages, benefits, basic work rules have all been negotiated on an industry-wide basis. Agreements have been applied across-the-board, so that, for instance, a locomotive engineer working out of Amarillo had the same pay, benefits and rules as an engineer working out of Chicago. In large part, that's the way things are now. But a valid question is: How long will things stay this way?

GUS WELTY

Coalition bargaining or national handling has bloomed and faded in other industries. Bargaining has become fragmented in a number of basic manufacturing industries. The steel-industry coalition, which once had more than a dozen companies represented, was down to five when the whole thing broke up a few weeks ago. With motor-carrier deregulation, the Teamsters' master agreement with the industry became something of a joke. Airlines (like railroads, playing by the rules of the Railway Labor Act), have traditionally bargained individually.

Railroads are close to being the last bastion of national-handling. But splits have been developing, as a few carriers—mostly small and relatively less-than-well-to-do—have opted out. More splits could come.

Smaller roads have long complained that they were being saddled with agreements that burdened them more than their larger (and richer) brethren, so their splitting is not hard to understand.

But the world has now changed quite a bit for the majors, because of mergers and deregulation.

Mergers (and diversification) have produced larger and stronger companies, companies better able to go it alone in combat with rail unions, themselves fragmented.

Deregulation has brought true competition to rail transportation, and in certain ways it has done something to the old feeling of one-for-all-and-all-for-one, the old feeling that if railroads didn't hang together they would surely hang separately. Increased productivity is the goal of every railroad, especially where labor costs and service considerations are concerned. And questions can be raised as to whether "increased productivity" for individual railroads can best be addressed in common bargaining.

Increased productivity, of course, bears directly on the ultimate goal of every railroad, which is to be the so-called low-cost carrier. That's a vital interest especially to marketing and sales people, since cost control has become far more important under deregulation, in terms of competition within the railroad industry and competition with deregulated—and often non-union—motor carriers.

Not long ago, an industry association brought together high-level marketing/sales officers from five major railroads to talk about dereg and all its implications. Each leaned strongly in the direction of do-it-yourself bargaining as offering the best potential for gaining the kinds of productivity improvements that would enhance low-cost positioning in the marketplace.

The industry has been blessed with a series of capable chief negotiators, such men as Doc Wolfe and Bill Dempsey and now Chuck Hopkins. So the question about the future doesn't have to do with who's driving the car but with the appropriateness of the vehicle itself—i.e., one does not take a Seville into four-wheel-drive country.

If—and it is a big "if"—national handling should go, though, then what happens?

For one thing, on both sides, the responsibility for making agreements would be in a more clear focus: There would not be the diffusion of agreement-by-committee.

For another, pressures would increase, on both sides, but railroads would have an edge: Every major railroad has a cadre of capable labor-relations officers, many of them experienced in national-handling—but the labor organizations might well have a problem, with limited headquarters resources and with individual general chairmen schooled mainly in negotiating on local issues.

For a third, the search for a "pattern" could turn into a real stampede, with labor trying to cut out a straggler from the herd to feast on him and with the railroads trying to impose whatever the strongest could win.

The prospects are sobering for both sides, but maybe more so for the unions. Railroads today are stronger than they have been for many years. Unions are weaker.

In a very real sense, through merger and deregulation, railroads have found themselves. There's a new vigor out there, and it could translate broadly. Railroads have found themselves. Rail labor is still looking.

Class 1 railroad employment

Employee Group	No. of employees, mid-month count March 1985	Percent of change March 1985 from March 1984	Percent of change March 1985 from February 1985
Total—all employees	303,310	d 4.77	d .13
Executives, officials and staff assistants	13,761	2.47	.12
Professional and administrative	57,893	d 6.95	d 1.20
Maintenance of way and structures	56,340	d 3.88	d 1.77
Maintenance of equipment and stores	58,443	d 6.73	d .74
Transportation (other than train and engine)	20,486	d 4.65	d .61
Transportation (train and engine)	96,387	d 3.70	d .11

Source: ICC